

November 8, 2011

TO: All Interested Parties

FROM: CalHFA Working Group

SUBJECT: Request for Proposals (RFP)  
Audit and Other Attestation Services

DEADLINE: Proposals must be submitted by December 5, 2011 ~~November 28, 2011~~ (no later than 5 p.m.)

The California Housing Finance Agency (CalHFA) plans to obtain the services of a qualified certified public accounting firm to conduct financial audits of the California Housing Finance Fund ("CHFF") and the California Housing Loan Insurance Fund ("CHLIF") and other related audit services as described in the RFP.

This notice invites you to respond to the attached Audit and Other Attestation Services RFP. CalHFA intends to retain the services of the selected vendor for a four year consecutive period beginning with the calendar year ending 2011 for CHLIF and the fiscal year ending June 30, 2012 for CHFF.

While considering your response to this RFP, please pay close attention to Section 1.3 Evaluation Criteria, Items #1 and #2, listed below:

1. Firm's experience as independent auditor for:
  - a. Housing Finance Agencies
  - b. Other issuers of revenue bonds
  - c. Commercial banks and mortgage lenders
  - d. Other agencies of the State of California
2. Firm's experience in these key areas:
  - a. Derivative instruments (GASB 53)
  - b. Arbitrage Rebate and Mortgage Yield Reduction
  - c. Loan Loss Reserves

Please direct all questions to the point of contact listed in Section 1.8 of the RFP. Responses to RFP questions can be found by visiting our website: [www.calhfa.ca.gov](http://www.calhfa.ca.gov).



# **California Housing Finance Agency**

## **Audit and Other Attestation Services** Request for Proposal

November 8, 2011



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# **1 Introduction and Overview of Requirements**

## **1.1 Background**

The California Housing Finance Agency ("CalHFA" or "Agency") was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a public instrumentality and political subdivision of the State of California and is included in the State's Comprehensive Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund ("CHFF"), California Housing Loan Insurance Fund ("CHLIF"), and two state general obligation bond funds. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

## **1.2 Purpose**

This Request for Proposal ("RFP") is to obtain proposals from qualified certified public accounting firms to conduct financial audits of the CHFF and CHLIF and other related audit functions, as generally described in Section 5.2 of this RFP. The term of this engagement will be for a four year consecutive period beginning with calendar year ending 2011 for CHLIF and the fiscal year ending June 30, 2012 for CHFF.

## **1.3 Evaluation Criteria**

Response to the RFP ("Proposal") will be reviewed based on the following:

1. Firm's experience as independent auditor for:
  - a. Housing Finance Agencies
  - b. Other issuers of revenue bonds
  - c. Commercial banks and mortgage lenders
  - d. Other agencies of the State of California
2. Firm's experience in these key areas:
  - a. Derivative instruments (GASB 53)
  - b. Arbitrage Rebate and Mortgage Yield Reduction
  - c. Loan Loss Reserves
3. Organization, size and structure of firm
4. Qualifications of staff to be assigned - position in firm and years and type of experience will be considered
5. Responsiveness of written proposal to Section 4 – Current Environment and Section 5 – Statement of Work
6. Pricing
7. Joint Venture - If a response to this RFP is submitted by a Joint Venture, the response must, in addition to items 1 – 6 above, include precise information describing the nature of the joint venture agreement signed by each member of the venture, a complete description of the division of labor in fulfilling the Contract and

a description of the qualifications of the staff assigned by each member of the venture.

## 1.4 Definitions

The terms listed below shall have the meanings ascribed therein when used in this RFP and in any addenda, exhibit, attachment or other document attached or referred to herein.

**“Audit Committee”**, consists of three (3) members of the CalHFA Board of Directors.

**“California Housing Finance Agency”, “CalHFA”, or “the Agency”**, a public instrumentality and political subdivision of the State of California chartered to finance below market rate loans to create safe, decent and affordable rental housing and to assist first-time homebuyers in realizing the dream of homeownership.

**“CalHFA Employees”**, consists of CalHFA staff selected by the Executive Director of the Agency.

**“California Housing Finance Fund”**, or **“CHFF”**, is one (1) of two (2) continuously appropriated funds administered by the Agency.

**“California Housing Loan Insurance Fund” or “CHLIF”**, is one (1) of two (2) continuously appropriated funds administered by the Agency.

**“Contract”** means the written agreement between CalHFA and the Vendor that will bind the parties to performance, obligations, price, deliverables, etc. to perform audit and other attestation services.

**“Joint Venture”** As applied to this RFP is a partnership or other form of combined joint efforts between the persons or companies formed for the purpose of submitting a Proposal and performing the Contract if a contract is awarded to the joint venture.

**“Point of Contact” or “POC”** is the CalHFA representative to whom the Respondent must direct all communications regarding the RFP.

**“Statement of Work” or “SOW”** means the services and tasks the Vendor will perform during the contract period.

**“Vendor”** means the Vendor selected who enters into the Contract with CalHFA to perform audit and other attestation services. Vendor includes Joint Venture

**“Working Group”** consists of the CalHFA Employees and two (2) members of the Audit Committee.

## 1.5 RFP Disclaimers

Respondents to this RFP should understand that this RFP process might differ significantly from the typical State of California process with which Respondents may be familiar. Although CalHFA is a state agency, CalHFA is not required to procure any of its contracts through a competitive bidding process. Neither is CalHFA generally subject to many of the restrictions or



requirements associated with state contracting practices. For instance, CalHFA is not required to include any of the protest or appeal rights that may be available under the typical state RFP procedures. In this regard, CalHFA urges Respondents to pay particular attention to **Section 1.16 Reservations** when reviewing and responding to this RFP.

The RFP requests the submission of Proposals, but is not itself an offer and shall not be construed as an offer. In no event shall any obligation of any kind be enforceable against the Agency unless and until a written Contract is entered into.

## **1.6 Service Objectives**

The following are the key service objectives CalHFA expects to achieve through the descriptions in **Section 4 Current Environment** and **Section 5 Statement of Work** of this RFP:

### **Service objectives for CHFF:**

- The CHFF fiscal year financial audit beginning with year ending June 30, 2012.
- Audit of CHFF and issuance of independent auditor's report by October 1st of each year.
- The CHFF opinion on supplemental information requested by the State Controller's Office by October 1st of each year.
- The CHFF OMB Circular A-133 Report (Federal Single Audit) by October 15<sup>th</sup> of each year.
- The CHFF Financing Adjustment Factor (FAF) agreed-upon procedures review (due every three years beginning with the three fiscal year periods ending June 30, 2012) required by HUD.
- The CHFF yearly agreed-upon procedures in connection with Proposition 1C Funds.
- The CHFF agreed-upon procedures in connection with debt issuance as requested by underwriters (as needed).
- Report audit results to Board of Directors Audit Committee (SAS 61).

### **Service objectives for CHLIF:**

- The CHLIF calendar year financial audit beginning with fiscal year ending December 31, 2011.
- Audit of CHLIF and issuance of independent auditor's report by April 30<sup>th</sup> of each year.
- Report audit results to Board of Directors Audit Committee (SAS 61).

## **1.7 Scope of the RFP and Admonishment**

This RFP contains the requirements for those who wish to submit a Proposal. The format and content are described in the appendices. This RFP also addresses the requirements that must be met in order to be eligible for consideration, as well as responsibilities once under contract.

### **RESPONDENTS MUST TAKE THE RESPONSIBILITY TO:**

- 1. CAREFULLY READ THE ENTIRE RFP;**
- 2. IF CLARIFICATION IS NECESSARY, ASK APPROPRIATE QUESTIONS IN A TIMELY MANNER;**
- 3. RESPOND COMPLETELY AND BY STATED DEADLINES; and**
- 4. MAKE SURE THAT ALL PROCEDURES AND REQUIREMENTS OF THE RFP ARE ACCURATELY FOLLOWED AND APPROPRIATELY ADDRESSED.**

## **1.8 Point of Contact**

Direct all communication with CalHFA to the Point of Contact ("POC"), or such other person who CalHFA designates in writing, as follows:

**Table 1: Point of Contact**

<b>Name:</b>	Lori Hamahashi
<b>Title:</b>	Deputy Comptroller
<b>Address:</b>	California Housing Finance Agency 500 Capitol Mall, Suite 1400 Sacramento, CA 95814
<b>Email address:</b>	lhamahashi@calhfa.ca.gov
<b>Phone Number:</b>	(916) 326-8423

Normal working hours are from 8:00 A.M. until 5:00 p.m. Pacific Standard Time Monday through Friday.

## 1.9 Key Action Events and Project Dates

The following table outlines the schedule for key action events and the projected dates and times (Pacific Standard Time), as appropriate.

**Table 2: Key Action Events and Project Dates**

#	Step	Purpose	Schedule (All times are PST)
	Release	Release of RFP	November 8, 2011
1.	Last Day to Submit Questions Regarding the RFP	Allows Respondents to ask questions and receive answers prior to submission of Proposals to CalHFA. (See Section 1.10 for more information)	November 14, 2011
2.	Proposals Due	CalHFA will receive Proposals from Respondents	<del>November 28</del> December 5, 2011 (no later than 5 p.m. P.S.T.)
3.	Review and Rank Proposals	Working Group will complete evaluation of Proposals from Respondents	December 27, 2011
4.	Interview Top Respondents	Working Group will have an opportunity to interview finalists	January 9, 2012
5.	Vendor recommendation	Working Group will write-up recommendation of one Vendor to the Audit Committee	January 17, 2012
6.	Vendor Selection	Audit Committee recommends Vendor to Board of Directors	January 19, 2012
7.	Contract Executed	Finalize Vendor services contract	February 24, 2012
8.	CHLIF Audit Begins	Identify beginning date of the CHLIF audit – CY 2011	March 2012

## 1.10 RFP Questions

The Respondents may submit written questions via email to the POC listed in Section 1.8. The POC shall post to CalHFA's website responses to all submitted questions to all Respondents within three (3) business days from the date it was submitted.

## 1.11 Changes in Scope of Services

CalHFA reserves the right to change, add to, or delete, any part of this RFP. Additions, deletions or modifications to the original RFP could result in RFP addenda, which will become an integral part of the RFP and/or any Proposals.

CalHFA reserves the right to contract for services that are less or greater than those services specified in this RFP.

## **1.12 Proposal Requirements and Conditions**

A Respondent's Proposal is an irrevocable offer for one hundred eighty (180) calendar days following the scheduled date for Vendor Selection in the Key Action Dates specified in Section 1.9 Key Action Events and Projected Dates. A Respondent may extend the offer in the event of a delay of Vendor Selection.

## **1.13 RFP Documents**

This RFP includes CalHFA's requirements and instructions, which prescribe the format and content of Proposals to be submitted. If a Respondent discovers any ambiguity, conflict, discrepancy, omission, or other error in this RFP, the Respondent shall immediately notify the POC of such error by email and request clarification or modification of the document. Modifications will be made by addenda issued pursuant to **Section 1.14 Addenda**. Such clarifications shall be provided to all Respondents participating in the procurement process via posting on CalHFA's website, without divulging the source of the request. Insofar as practicable, CalHFA will give such notices to other interested Respondents, but CalHFA shall not be responsible therefore.

## **1.14 Addenda**

CalHFA may modify the RFP prior to the Vendor Selection date by issuance of an addendum.

## **1.15 Submission of Proposal and Contract**

Any Respondent submitting a Proposal thereby automatically agrees to each and all the terms, conditions, provisions and requirements set forth and contemplated in this RFP.

The contents of the Proposal of the selected Vendor will become contractual obligations contained in the Contract between the Vendor and CalHFA.

Failure of the selected Vendor to accept these obligations in the Contract may result in disqualification of the Vendor.

## **1.16 Reservations**

All costs for developing and submitting proposals pursuant to this RFP are solely the responsibility of the party submitting the proposal and shall not be reimbursable by the Agency. Although the Agency has chosen at this time to seek Proposals for auditing services, it is not required to procure any of its contracts by way of competitive bidding and is generally not subject to many of the restrictions or requirements typically associated with state contracting practices. Accordingly, the Agency reserves its right to select one or reject all Proposals submitted pursuant to this RFP.

In addition, the Agency reserves the right to:

- Request an interview with any Respondent prior to selection.

- Select for contract negotiation the Vendor that, in the Agency's judgment, will best meet the Agency's needs, regardless of any differences in estimated costs between the Respondents.
- Consider information about a Respondent in addition to information submitted in its Proposal or obtained through interviews.
- Select a Vendor other than a respondent responding to this RFP.
- Require additional information from any Respondent.
- Terminate this process at any time without selecting a Vendor.
- Change any deadline or date provided for herein without prior notification.
- Otherwise amend or modify any of the terms or provisions of this RFP.

Until the selected Vendor has been approved and notice given to all Respondents, no employee, agent, or representative of a Respondent shall make available or discuss its Proposal with any officer, member employee, agent, or representative of the Agency other than the designated POC.

## **1.17 Licenses**

Respondent shall be required to obtain any necessary software licenses and shall comply with all federal, state, and local laws, codes and ordinances without additional cost to CalHFA, other than the costs outlined in the Respondent's proposal.

## **1.18 Conflict of Interest**

~~Each Respondent must disclose any existing or potential conflict of interest relative to the performance of the contractual services resulting from this RFP, including any relationship that might be perceived or represented as a conflict. By submitting a Proposal, the Respondent affirms that it has not given, and does not intend to give at any time hereafter, any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant or any employee or representative of same, in connection with this procurement. Any attempt to intentionally or unintentionally conceal or obfuscate and any actual concealment or obfuscation, whether intentional or unintentional, of a conflict of interest will automatically result in the disqualification of a Respondent's Proposal.~~

~~CalHFA will determine whether a conflict of interest exists and whether it may disqualify a Respondent. Respondent must provide sufficient facts and information for the Agency to determine the significance of each potential conflict.~~

~~Prior to commencement of any services under the Contract, certain of the Respondent's employees and agents, as determined by the Agency, shall complete a California FPPC Form 700, Statement of Economic Interests as required by the Agency's Conflict of Interest Code under Section 81000 et seq. of the California Government Code. Furthermore, CalHFA reserves the right to disqualify any Respondent on the grounds of actual or apparent conflict of interest.~~

## **1.19 Confidentiality of Data**

The Respondent shall comply with all CalHFA confidentiality requirements pertaining to all financial, statistical and personal data, including any and all non-public personal information of a consumer or customer of CalHFA, technical and other data and information relating to CalHFA's operation that are made available to the Respondent. The Respondent shall take all reasonable measures, including without limitation such measures as it takes to safeguard its own confidential information, to ensure the security and confidentiality of all information provided to it by CalHFA, to protect against all threats or hazards to the security or integrity of the information, and to protect against unauthorized access to or use of the information.

## **1.20 Mandatory Use of the Proposal Format Template**

All proposals shall be submitted using the format defined in **Appendix 1 Proposal Format**. The proposal must be complete. If information is omitted from a proposal, CalHFA reserves the right to treat that proposal as non-responsive and reject the proposal. Any deviation from this format may lead to the rejection of the proposal.

All requests for information in all sections of this document must be answered as concisely as possible and with minimal marketing literature.

Proposals shall include a cover letter from the Respondent indicating that the Respondent understands the requirements of the RFP, including the RFP attachments and appendices and accepts the RFP terms and conditions (including addenda).

## **1.21 Proposal Materials**

All materials submitted in accordance with this RFP become the property of CalHFA, and will not be returned unless otherwise specified.

## 2 Proposal Steps

Proposals must meet all formatting and content requirements described in **Appendix 1 Proposal Format**. Proposals are to provide a straightforward, concise delineation of the Respondent's compliance with the requirements of this RFP. Expensive bindings, colored displays, promotional materials, etc., are not necessary or desired. Emphasis must be concentrated on conformance to the RFP instructions, responsiveness to the RFP requirements and on completeness and clarity of content.

Before submitting each document, the Respondent should carefully read its proposal for errors and adherence to the RFP requirements. All pages and sections in the Proposal must be clearly numbered.

### 2.1 Questions and Written Statements

Any written or verbal statements regarding this RFP by any person other than the POC prior to the selection will be deemed unauthorized and may not be relied on. Any statements from the POC must be in written form to be considered official.

Questions regarding the RFP and/or Contract can be submitted via email to the POC by the date indicated in **Section 1.9 Key Action Events and Projected Dates**. Questions received after that date and time may be considered but CalHFA does not guarantee a response in advance of the Proposal due date.

All questions and/or requests for additional information or clarification of information in the RFP shall include:

- The Respondent's name
- Contact person's name and title
- Contact person's business address, phone number and email address
- Clear and concise question(s) or statement(s)
- References to specific points within the RFP

### 2.2 Proposal Submission

#### 2.2.1 Submission of Proposal

Proposals (excluding the Pricing under the Proposal) must be emailed as a single PDF file and delivered in paper form to the POC listed in Section 1.8 not later than the date and time indicated in **Section 1.9 Key Action Events and Projected Dates**.

**Note: The Pricing is to be placed in a separate, sealed envelope and delivered by hard copy format only. It should be mailed along with the paper form of the Proposal but must clearly be identified as the Pricing for the Respondent.**

It is the sole responsibility of each Respondent to ensure that its Proposal is received before the submission deadline. Respondent shall bear all risks associated with delays in delivery by any person or entity.

Proposals that do not reasonably satisfy the minimum requirements may be excluded from further consideration. CalHFA reserves the right to accept or reject any Proposal without further consideration for any reason.

### **2.2.2 Clarification of Proposals**

CalHFA may ask the Respondent to clarify its submitted information but will not allow the Respondent to change its Proposal. If such information is required, the Respondent will be notified and will be permitted three (3) business days to submit the information required.

### **2.2.3 Late Submission of Proposals**

Any Proposal received after the specified due date and time may be rejected.

## **2.3 Selection Process**

Upon review of all Proposals, CalHFA may select Proposal(s) for further review, as outlined in the sections below.

### **2.3.1 Reference Checks**

CalHFA may conduct reference checks of the Respondent and the Respondent's key personnel. CalHFA expects that all references will respond to CalHFA's inquiry. Clients of the Respondent or Respondent's key personnel, in addition to those provided as references by the Respondent, may be contacted by CalHFA as part of its due diligence.

### **2.3.2 Selection and Approval**

Selection of a Vendor is expected to take place within the period designated in **Section 1.9 Key Action Events and Project Dates**.

Recipients of this RFP will be evaluated based on the criteria reflected in **Section 1.3 Evaluation Criteria**. Respondent will also be evaluated on the completeness of their proposals and their demonstrated ability to fully answer questions.

The qualifications of Respondents will initially be considered by the Working Group. The Working Group will report results to the Audit Committee. The Audit Committee will make recommendations to the CalHFA Board of Directors which may or may not accept the Working Group's recommendation. The CalHFA Board of Directors will select a Vendor who in its opinion best meets the requirements of this RFP at a reasonable cost. As part of the selection process, the Working Group may require interviews with the Respondents considered the most qualified to provide the services under this RFP

Selection of a Vendor is expected to take place with the period designated in **Section 1.9 Key Action Events and Projected Dates**. Once selected by the CalHFA Board of Directors, the selected Vendor will be expected to enter into a Contract with the Agency. The anticipated Contract effective date is indicated in **Section 1.9 Key Action Events and Projected Dates**.



## 3 Administrative Requirements

### 3.1 Overall Proposal Responsiveness

Each Respondent must submit a responsive Proposal, which:

- Adheres to the format and content requirements specified in **Appendix 1 Proposal Format**.
- Includes the following required forms:
  - Appendix 2 – Confidentiality Statement; and
  - Appendix 3 – Proposal Signature Form.
- Conforms to **Section 1.12 Proposal Requirements and Conditions**.
- Meets the requirements defined in this **Section 3 Administrative Requirements**.
- Reflects an understanding of **Section 4 Current Environment**.
- Meets the requirements defined in **Section 5 Statement of Work**.

CalHFA reserves the right, at any time, to reject any Proposal.

### 3.2 Constraints

CalHFA will establish all pertinent business and security policies and procedures including those that are vital to protecting its business interests and those required to meet industry regulations. The Respondent must comply with, and support these policies.

### 3.3 Respondent Personnel

The Respondent must provide the services in a professional manner, using only individuals of suitable experience, training and skill. If the Respondent has provided auditing services for the Agency within the last three years, the Respondent must assign personnel to the audit not previously assigned to the engagement in the past, i.e. change audit partner, manager, lead and staff.

### 3.4 Respondent References

The Respondents shall provide client references for the Respondent. The Respondent will contact the references and inform them to be available to CalHFA after Proposals are due, outlined in **Section 1.9 Key Action Events and Projected Dates**, to validate the information provided by the Respondent and to determine the client's overall satisfaction with the services provided. It may prove beneficial to the Respondent to contact its referenced clients to ensure the client contact information provided on the corporate experience references form is up-to-date and that the client reference will be available. References that cannot be validated by CalHFA will not be considered.

*All references provided must be for services completed within the last three (3) years for which the Respondent acted as the Vendor, with at least one of the references for services completed within the past one (1) year. A minimum of two of the Respondent's references must be from similar industries.*

References must meet the qualification requirements and include the information specified in **Appendix 1, D.3 Respondent References**. At least three (3) client experience references are required. The descriptions of the services must be detailed and comprehensive enough to permit CalHFA to assess the similarity of those services to the work anticipated in this procurement.

### **3.5 Vendor**

A single Vendor will be selected. The Vendor selected and enters into a Contract with CalHFA ("Vendor") will be solely responsible for successful performance of all services offered in the Vendor's Proposal. Furthermore, CalHFA will consider the Vendor to be the sole point of contact regarding contractual matters for the term of the Contract. If a contract is awarded to a Joint Venture, the terms of the Contract shall provide that each participating venturer is jointly and severally liable to CalHFA.

### **3.6 Disputes, Claims, Actions, Proceedings, Convictions**

Each Respondent must provide details of any disciplinary actions or other administrative action taken by any jurisdiction or person against Respondent. Each Respondent shall list and summarize (include all involved parties) all judicial or administrative proceedings in which it has been a party within the last five (5) years. If Respondent is a subsidiary, it must also submit information for all parent companies. If Respondent is a Joint Venture, it must submit information for each venturer. In addition, each Respondent must identify any projects where it was removed from a project before its successful project completion within the last five (5) years and state the reasons for such removal. Respondent shall also inform CalHFA of any felony conviction of any officer or key personnel. If any information provided here is inaccurate, this could lead to disqualification of the Respondent.

### **3.7 Confidentiality and Disclosures**

The selected Vendor shall adhere to all required CalHFA confidentiality and disclosure policies. All or certain of Vendor's staff shall:

- Sign and submit the Confidentiality Statement.
- Sign and submit an Information Security Acknowledgement and Agreement upon Final Selection and before access is granted to any CalHFA resources.
- ~~Sign and submit California FPPC Form 700, Statement of Economic Interests, if required by CalHFA upon entering into a Contract (<http://www.fppc.ca.gov/>).~~
- Treat all information, deliverables, and work products as confidential that cannot be disclosed in any form to any third-party without CalHFA's prior written consent except as permitted by law, legal process, or applicable professional standards.
- Not use, without CalHFA approval, any CalHFA materials for any purpose other than carrying out the terms under the Contract with CalHFA.

- Not remove any CalHFA equipment, information, data, work products, and deliverables outside CalHFA's secured environment without advance written approval from a CalHFA representative.
- Abide by the following Privacy Statement:

"CalHFA systems are restricted to authorized users for legitimate purposes. There is no expectation of privacy on CalHFA systems as they are being audited and monitored. The unauthorized access, use, or modification of CalHFA systems or the data contained therein or in transit to/from, is prohibited by law and violators may be subject to criminal, civil and/or administrative actions."

### **3.8 Payee Data Record, STD. 204**

The selected Vendor must submit a fully executed copy of the Payee Data Record, STD. 204. The web link to the Payee Data Record is included in **Appendix 4**.

## **4 Current Environment**

### **4.1 Agency Overview**

The CalHFA is the State's affordable housing bank with over \$10 billion in assets. The following are additional characteristics of the Agency

- A component unit of the State of California
- Entirely self-supporting
- No funding appropriations by the state legislature
- 2 primary funds
  - California Housing Finance Fund
  - California Housing Loan Insurance Fund

#### **4.1.1 California Housing Finance Fund Overview**

The following are characteristics of the California Housing Finance Fund operations:

- Issuance of Agency bonds and notes to fund loans to qualified borrowers for single family homes and multifamily developments
  - Both tax-exempt and taxable bonds
  - Fixed rate bonds, variable rate bonds, and variable rate bonds swapped to synthetically fixed rates
- Investment portfolio of over \$2.2 billion that is composed of
  - Investment agreements
  - Surplus Money Investment Fund
  - Securities
  - Money Market Funds
  - Other Short Term Investment Vehicles
- Program loans receivable of \$6.3 billion
- Bonds payable of \$7.9 billion
  - More than \$5.2 billion of variable rate debt
  - Approximately \$2.4 billion swapped to synthetically fixed rates
    - Thirteen (13) swap counterparties
- Copies of CalHFA's latest financial reports can be found at:  
<http://www.calhfa.ca.gov/about/financials/index.htm>

### **4.1.2 California Housing Loan Insurance Fund Overview**

The California Housing Loan Insurance Fund is the private mortgage insurance subsidiary of CalHFA. The following are characteristics of the California Housing Loan Insurance Fund operations

- Assets total \$9 million
- More than 7,500 insured loans with total risk-in-force of over \$736 million
- Reinsurance agreement with Genworth
- Loss reserve calculations
- Copies of CalHFA's latest financial reports can be found at:

<http://www.calhfa.ca.gov/about/financials/index.htm>

### **4.1.3 Significant Accounting Policies**

- Follow the standards of reporting as promulgated by the Government Accounting Standards Board ("GASB"):
  - Adopted GASB 20 to apply all GASB pronouncements and only FASB prior to 11/30/89
  - Adopted GASB 31- Fair valuation of investments
  - Adopted GASB 34 – Financial statement presentation and management's discussion and analysis
  - Adopted GASB 40 – Investment Risk
  - Adopted GASB 53 – Accounting and Financial Reporting for Derivative Instruments

### **4.1.4 General Ledger Environment**

The California Housing Finance Agency is currently using Microsoft Dynamics GP 10.0 which was released in June 2007.

- Agency uses a custom accounting software application using Microsoft Windows .NET framework to upload journal entries into the General Ledger
- Agency uses other software applications to generate additional journal entries. These entries are reformatted in the custom accounting software application and then uploaded into the General Ledger. The primary application used by the Multifamily Accounting Unit is Strategy
- Fiscal Services staff also enter manual journal entries into the General Ledger

## 5 Statement of Work

The purpose of this procurement is to obtain a qualified certified public accounting firm to provide audit and other attestation services as generally described in this section of this RFP and consistent with **Section 4 Current Environment**.

### 5.1 Summary and Authoritative Guidance

The selected Vendor shall audit the financial statements of the CHFF and the CHLIF beginning with the fiscal year ending June 30, 2012 and the calendar year ending December 31, 2011, respectively. The audit shall be conducted for the purpose of expressing an opinion on the Agency's basic financial statements in accordance with auditing standards generally accepted in the United States of America based on the audit. Audit procedures are to be applied to the management's discussion and analysis and any other supplementary information required by the Government Accounting Standards Board ("GASB") and any supplemental information presented in the Agency's Annual Reports.

The selected Vendor shall perform Single Audits as required by the Agency and issue the required reports thereon in compliance with Government Audit Standards issued by the Government Accountability Office ("GAO") and Budget Circular A-133 and the requirements of the American Recovery and Reinvestment Act ("ARRA") and the Housing and Recovery Act ("HERA") legislation.

The selected Vendor shall review the Agency's internal controls over financial reporting and operations and perform tests as are necessary to determine the Agency's compliance with certain provisions of laws, regulations, and other matters and shall issue reports thereon.

The selected Vendor shall perform agreed-upon procedures as required by the Agency in accordance with Statements on Standards for Attestation Engagements issued by the American Institute of Certified Public Accountants ("AICPA").

### 5.2 Primary Services Deliverables for the CHFF

The primary services deliverables to be provided by the selected Vendor are as follows:

- The CHFF fiscal year financial audit beginning with year ending June 30, 2012.
- Audit of CHFF and issuance of independent auditor's report by October 1st of each year.
- The CHFF opinion on supplemental information requested by the State Controller's Office by October 1st of each year.
- The CHFF OMB Circular A-133 Report (Federal Single Audit) by October 15<sup>th</sup> of each year.
- The CHFF Financing Adjustment Factor (Financing Adjustment Factor) agreed-upon procedures review (due every three (3) years beginning with the three (3) fiscal year periods ending June 30, 2012) required by HUD.
- The CHFF agreed-upon procedures in connection with Proposition 1C Funds (yearly).
- The CHFF agreed-upon procedures in connection with debt issuance as requested by underwriters (as needed).

- Opinion on Adequacy of Internal Controls using the Audit Guide provided by Department of Finance (due odd year beginning 2013).
- Report audit results to Board of Directors Audit Committee (SAS 61).

### **5.3 Primary Services Deliverables for the CHLIF**

The primary services deliverables for the CHLIF to be provided by the selected Vendor are as follows:

- The CHLIF calendar year financial audit beginning with fiscal year ending December 31, 2011.
- Audit of CHLIF and issuance of independent auditor's report by April 30<sup>th</sup> of each year.
- Report audit results to Board of Directors Audit Committee (SAS 61).

## Appendix 1 Proposal Format

Proposals (excluding the Pricing under the Proposal) must be emailed as a single PDF file and a paper copy delivered to the POC listed in Section 1.8 by the date and time indicated in **Section 1.9 Key Action Events and Projected Dates**.

**Note: The Pricing is to be placed in a separate, sealed envelope and delivered by hard copy format only. It should be mailed along with the paper form of the Proposal but must clearly be identified as the Pricing for the Respondent.**

It is the sole responsibility of each Respondent to ensure that its Proposal is received before the submission deadline. Respondent shall bear all risks associated with delays in delivery by any person or entity.

Proposals that do not reasonably satisfy the minimum requirements will be excluded from further consideration. CalHFA reserves the right to accept or reject any Proposal without further consideration for any reason.

### A. Proposal Signature

All Respondents must complete and sign a Proposal Signature Form included in **Appendix 3**

**Failure to complete and sign a Proposal Signature Form will result in rejection of the Proposal.**

### B. Cover Letter

Respondent's Proposal must contain a cover letter signed by an individual who is authorized to bind the Respondent's firm contractually, indicating the title and position that person holds in the firm, and including a statement that the Respondent understands the requirements of the RFP, including the RFP attachments and appendices, and accepts the RFP terms and conditions (including addendums).

<Response>



## **C. Respondent Profile**

This section provides all relevant information regarding the Respondent's capabilities to deliver, install and configure the proposed ECM solution.

### **C.1. Respondent Organization Overview**

#### **Company Overview**

**Company Name:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
**Headquarters Location:** \_\_\_\_\_  
**Date Founded:** \_\_\_\_\_  
**Company ownership (e.g., private/public, joint venture):** \_\_\_\_\_  
**Number of years Respondent has been providing the type of services specified in RFP:** \_\_\_\_\_  
**Number of employees:** \_\_\_\_\_

#### **Primary Contact Information**

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**City, State and Zip Code:** \_\_\_\_\_  
**Phone:** \_\_\_\_\_ **Fax:** \_\_\_\_\_  
**Email:** \_\_\_\_\_

#### **Regional or Local Office Information**

**Company Name:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**City, State and Zip Code:** \_\_\_\_\_  
**Primary Contact:** \_\_\_\_\_  
**Phone:** \_\_\_\_\_ **Fax:** \_\_\_\_\_

## C.2. Joint Venture

If a Proposal is submitted by a Joint Venture, the Proposal must identify each participating venturer, each venturer's role in fulfilling the terms of the Contract and the extent to which each venturer has been integrated into the Respondent's team in previous engagements.

Complete the following table for each venturer.

### Venturers

Venturer name:	_____
Company ownership (i.e., private/ public, joint venture):	_____
Headquarters mailing address:	_____
Date founded:	_____
Number of employees:	_____
Services to be provided to CalHFA:	_____
Percentage of Contract value being performed:	_____
Experience of Venturer in performing the services to be provided:	_____
Brief description of previous partnering experience the Venturer has with other Respondent venturers:	_____
Locations where Venturer's work is to be performed:	_____

## C.3 Business Disputes

The Respondent must provide details of any disciplinary actions or other administrative action taken by any jurisdiction or person against Respondent as described in **Section 3.6 Disputes, Claims, Actions, Proceedings, Convictions**.

<Response>

## D. Responses

### D.1. Current Environment and Statement of Work

Provide a description of your proposed audit and other attestation services including at a minimum those sections defined in **Section 4 Current Environment and Section 5 Statement of Work**.

<Response>

### D.2. Implementation Strategy

The Respondent shall provide a description of the Respondent's approach to implementing its audit and other attestation services:

- a. Implementation approach
- b. Keys to successful implementation of the Respondent's audit and other attestation services

<Response>

### D.3. Respondent References

Provide (per Table 3) at least three (3) references of clients whose engagements had a comparable scope of services to this RFP (preferably clients similar to CalHFA).

All references provided must be for services completed within the last three (3) years for which the Respondent acted as the Vendor, with at least one of the references for services completed within the past one (1) year. A minimum of two (2) of the references must be from similar industries.

<Response>

**Table 3: Respondent Reference Form**

Client Information			
Vendor Name:			
Service Start/End Dates:			
Client Name:		Contact Name:	
		Phone:	
Address:		Fax:	
		Email:	
Industry:			
Type of Services		Description	



## **E. Administrative Policy Instructions**

CalHFA requires the Respondent to attach completed copies of the following:

- Confidentiality Statement (provided in Appendix 2)
- Proposal Signature Form (provided in Appendix 3)

<Response>

## F. Pricing

Respondent shall provide the pricing information in the format specified in this section. The Pricing shall clearly indicate ALL COSTS that the CalHFA is expected to incur over the term of the Contract based on the information contained in this RFP. CalHFA assumes the price is inclusive of all the services described in this RFP unless Respondent explicitly indicates otherwise.

### ***Pricing for Audit and Other Attestation Services***

<b>California Housing Finance Fund</b>					
	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Total
US GAAP Audit					
SCO Report					
Single Audit					
Prop 1C Agreed- Upon Procedures (yearly)					
FAF Agreed-Upon Procedures (every three years beginning with FY ending June 30, 2012)					
Bond Underwriters Agreed-Upon Procedures	<b>Leave Blank</b>	<b>Leave Blank</b>	<b>Leave Blank</b>	<b>Leave Blank</b>	<b>Leave Blank</b>
One letter (Per Issuance)					
Two letters (Per Issuance)					
Total Travel Expenses for Audit/Other Attestation Services for CHFF					

Total					
-------	--	--	--	--	--

<b>California Housing Loan Insurance Fund</b>					
	Calendar Year 2011	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014	Total
US GAAP Audit					
Total Travel Expenses for Audit/Other Attestation Services for CHLIF					
Total					

The Respondent shall state all prices in US dollars and these prices shall **include all charges to CalHFA**. That is, the proposed service charges shall be inclusive of all expenses, charges and costs for CalHFA specific assets and other resources incurred by the Respondent in providing the service.

All prices shall remain valid for a period of at least one hundred eighty **180 days** from the Vendor Selection date.



## Appendix 2 Confidentiality Statement

As an authorized representative and/or corporate officer of the company named below, I warrant my company and its employees will not disclose any documents, diagrams, information and information storage media made available to us by the Agency for responding to the **Audit and Other Attestation Services RFP** or in conjunction with any contract arising there from. I warrant that only those employees who are authorized and required to use such materials will have access to them.

I further warrant that all materials provided by the Agency will be returned promptly after use and that all copies or derivations of the materials will be destroyed physically and/or electronically. I will include with the returned materials, a letter attesting to the complete return of materials and documenting the destruction of copies and derivations. Failure to so comply will subject this company to liability, both criminal and civil, including all damages to the Agency and third parties. I authorized the Agency to inspect and verify the above.

I warrant that if my company is approved as the Vendor for the services, it will not enter into any agreements or discussions with any third-party concerning such materials prior to receiving written confirmation from the Agency that such third-party has a confidentiality agreement with the Agency similar in nature to this one.

---

Signature of Representative

---

Date

---

Name of Representative (Print or Type)

---

Title of Representative (Print or Type)

---

Name of Company (Print or Type)

## Appendix 3 Proposal Signature Form

**Name of Respondent:** \_\_\_\_\_

**Business Address:** \_\_\_\_\_  
(Street)

\_\_\_\_\_  
(City) (State) (Zip Code)

**Phone:** \_\_\_\_\_ **Fax:** \_\_\_\_\_

**Type of Business:** \_\_\_\_\_ Corporation  
(check one) \_\_\_\_\_ Partnership  
\_\_\_\_\_ Individual doing business under own name  
\_\_\_\_\_ Individual doing business using a firm name  
\_\_\_\_\_ Joint Venture (Attach Joint Venture Agreement)

**Federal Tax I.D. Number:** \_\_\_\_\_

To California Housing Finance Agency (CalHFA):

The undersigned, as Respondent, certifies that the only persons or parties interested in this Proposal as principals are those named herein as Respondent; that this Proposal is made without collusion with any other person, firm, or corporation; that in submitting this Proposal the Respondent has examined all terms, conditions, and requirements set forth in the RFP; that the Respondent proposes and agrees that if this Proposal is accepted, the Respondent selected will execute and fully perform the Contract for which Proposals are called; that the Respondent will perform all the work and/or furnish all the materials specified in the Contract, in the manner and time therein prescribed, and according to the requirements as therein set forth; and that the Respondent will take in full payment therefore, the prices set forth in the Contract.

\_\_\_\_\_  
(Typed or Printed Name and Title) (Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Address (if different than business address above)

## Appendix 4 Payee Data Record, STD. 204

STD. 204 can be found on-line at <http://www.documents.dgs.ca.gov/osp/pdf/std204.pdf>

## Appendix 5 Standard Form of Contract

STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
STD.2 (REV. 5-91)

APPROVED BY THE  
ATTORNEY GENERAL

CONTRACT NUMBER	AM. NO.
TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER	

THIS AGREEMENT, made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 2006,  
in the State of California, by and between State of California, through its duly elected or appointed, qualified and acting

TITLE OF OFFICER ACTING FOR STATE Executive Director	AGENCY CALIFORNIA HOUSING FINANCE AGENCY, a _____, hereafter called the State, and public instrumentality and political subdivision of the State of California
---	---

CONTRACTOR'S NAME \_\_\_\_\_, hereafter called the Contractor.

WITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State hereinafter expressed, does hereby agree to furnish to the State services and materials as follows: *(Set forth service to be rendered by Contractor, amount to be paid Contractor, time for performance or completion, and attach plans and specifications, if any.)*

See attached "SERVICES AGREEMENT"

CONTINUED ON \_\_\_\_\_ SHEETS, EACH BEARING NAME OF CONTRACTOR AND CONTRACT NUMBER.

The provisions on the reverse side hereof constitute a part of this agreement.  
IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.

STATE OF CALIFORNIA				CONTRACTOR	
AGENCY CALIFORNIA HOUSING FINANCE AGENCY, a public instrumentality and political subdivision of the State of California				CONTRACTOR (if other than an individual, state whether a corporation, partnership, etc.)	
BY (AUTHORIZED SIGNATURE) ➤				BY (AUTHORIZED SIGNATURE) ➤	
PRINTED NAME OF PERSON SIGNING Theresa A. Parker				PRINTED NAME AND TITLE OF PERSON SIGNING	
TITLE Executive Director				ADDRESS	
AMOUNT ENCUMBERED BY THIS DOCUMENT	PROGRAM/CATEGORY (CODE AND TITLE)  (OPTIONAL USE)	FUND TITLE CA Hsg. Finance Fund	Department of General Services Use Only  <b>EXEMPT FROM DEPARTMENT OF GENERAL SERVICES APPROVAL PURSUANT TO HEALTH AND SAFETY CODE SECTION 51050</b>  signed _____ title <u>General Counsel</u> <div style="text-align: right;">CalHFA</div>		
PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT	ITEM      CHAPTER      STATUTE      FISCAL YEAR 1/75 1 <sup>st</sup> ES      1975      Various				
TOTAL AMOUNT ENCUMBERED TO DATE	OBJECT OF EXPENDITURE (CODE AND TITLE)				
<i>I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.</i>					
SIGNATURE OF ACCOUNTING OFFICER ➤				T.B.A. NO.      B.R. NO.  (EFFECTIVE DATE)	
<input type="checkbox"/> CONTRACTOR <input type="checkbox"/> STATE AGENCY <input type="checkbox"/> DEPT. OF GEN. SER. <input type="checkbox"/> CONTROLLER					

STATE OF CALIFORNIA  
**STANDARD AGREEMENT**  
STD.2 (REV. 5-91)

Contractor's Name \_\_\_\_\_  
Contract No. \_\_\_\_\_

1. The Contractor agrees to indemnify, defend and save harmless the State, its officers, agents and employees from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work services, materials or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by the Contractor in the negligent performance of this contract.
2. The Contractor, and the agents and employees of Contractor, in the performance of the agreement, shall act in an independent capacity and not as officers or employees or agents of State of California.
3. The State may terminate this agreement and be relieved of the payment of any consideration to Contractor should Contractor fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination the State may proceed with the work in any manner deemed proper by the State. The cost to the State shall be deducted from any sum due the Contractor under this agreement, and the balance, if any, shall be paid the Contractor upon demand.
4. Without the written consent of the State, this agreement is not assignable by Contractor either in whole or in part.
5. Time is of the essence in this agreement.
6. No alteration or variation of the terms of this contract shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.
7. The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.
8. The above-named Contractor or grant recipient has read the attached State of California Drug-Free Workplace Certification Standard Form 21 and fully understands the requirements of providing a drug-free workplace as set forth in Government Code Section 8355. By signing this Agreement, the above-named Contractor or grant recipient hereby certifies compliance with Government Code Section 8355 in matters relating to providing a drug-free workplace.

**SERVICES AGREEMENT-**  
**(CONTRACTOR'S NAME)**

THIS SERVICES AGREEMENT ("**Agreement**") is entered into as of \_\_\_\_\_, 2012, by and between the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("**Agency**", or "**CalHFA**") and \_\_\_\_\_ ("**Contractor**").

**R E C I T A L S**

1. WHEREAS, Agency desires to have an audit of the financial statements of the California Housing Finance Fund ("**Finance Fund**") and related accounting services performed by an independent firm of certified public accountants; and

2. WHEREAS, Agency, doing business as the California Housing Loan Insurance Fund ("**Insurance Fund**" or "**CaHLIF**"), desires to have an audit of the financial statements and related accounting services of the Insurance Fund performed by an independent firm of certified public accountants (collectively, the Finance Fund and Insurance Fund are referred to herein as the "**Funds**"); and

3. WHEREAS, with respect to the Finance Fund, Agency desires to receive reports on agreed-upon procedures ("**reports**") from an independent firm of certified public accountants in conjunction with the issuance of its notes and bonds; and

4. WHEREAS, with respect to the Finance Fund, Agency desires to have a Single Audit in accordance with Government Auditing Standards, the provisions of OMB Circular A-133 Report (Federal Single Audit) and audit requirements of HUD; and

5. WHEREAS, CalHFA issued an RFP for Auditing and Other Attestation Services, dated \_\_\_\_\_ (date) 2011, for the auditing and other attestation services described above; and in response Contractor provided a Proposal for Auditing and Other Attestation Services dated \_\_\_\_\_; and

6. WHEREAS, Contractor is an independent public accounting firm with staff competent to conduct audits and evaluate Agency's financial statements and issue opinions and such reports; and

7. WHEREAS, Contractor desires to perform such audit of the Fund's financial statements and furnish reports and related accounting services NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, Agency and Contractor agree as follows:

1. Contractor's Services.

a. Audit of Finance Fund

Contractor shall provide services to the Agency pursuant to the terms hereof and of the Engagement Letter (as defined herein). Prior to Contractor's commencing audits for each fiscal year, Contractor and the Agency shall execute an engagement letter for that fiscal year in form and substance acceptable to the Agency, in Agency's sole discretion, which engagement letter(s) are hereby incorporated into this Agreement. Should any provision of the engagement letters conflict or be inconsistent with the provisions contained in the body of this Agreement, the latter provisions shall control.

**(1) Financial Audit**

(a) Contractor will conduct an examination and audit of the Finance Fund's financial statements, in accordance with auditing standards generally accepted in the United States of America using the prescribed method, and subject to the limitations stated in the Contractor's most recently submitted Proposal for Auditing and Other Attestation Services, dated \_\_\_\_\_ 2011, for the fiscal year ending June 30, 2012., June 30, 2013, June 30, 2014 and June 30, 2015.

(b) Contractor will express an opinion on the fairness in all material respects of the Finance Fund's combined financial statements as prescribed by accounting principles generally accepted in the United States of America.

(c) The audit will not necessarily disclose all irregularities that may exist, but any irregularities disclosed by the audit will be reported promptly upon discovery to Agency.

(d) At the conclusion of each fiscal year audit, Contractor will issue a formal audit opinion letter (one for each fiscal year) to the Agency's Executive Director to be delivered not later than October 1 following the end of the preceding fiscal year.



**(2) Audit for Compliance with Requirements of the Department of Housing and Urban Development (HUD) Section 8 Program**

Contractor will audit Agency's compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to the Agency's major federal programs for the fiscal years ending June 30, 2012., June 30, 2013, June 30, 2014, and June 30, 2015. The Agency's major federal programs are "Section 8 New Construction and Substantial Rehabilitation, CFDA Number 14.195," and National Foreclosure Mitigation Counseling, CFA Number 21.000. Contractor shall report its findings to the Agency's Executive Director no later than October 15 following the end of the preceding fiscal year.

**(3) FAF Reporting and Audit Requirements**

Contractor shall conduct a programmatic review of the Agency's Financing Adjustment Factor ("FAF") Refunding Agreements between the Agency and HUD, and issue such reports as required by HUD. The Reports shall be completed and delivered no later than October 31, 2012 for the three (3) fiscal year periods ending June 30, 2012 and no later than October 31, 2015 for the three (3) fiscal year periods ending June 30, 2015.

**(4) Letters Related to the Issuance of Notes and Bonds**

Upon request of Agency's Executive Director or his/her designee, Contractor shall prepare and provide such letters to underwriters and other purchasers of Agency notes and bonds as may be needed for the sale, and delivery of Agency notes and bonds to be issued during fiscal years 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16. Such letters will be provided by the Contractor on the dates specified by the Agency in note and bond purchase agreements. Each letter requested will relate to the audit work and financial statements of the most recent prior fiscal year.

**(5) Opinion Letter on Supplemental Information Requested by the State Controller**

(i) Contractor will also provide an opinion letter on supplemental financial information requested by the state controller to the Agency's Executive Director to be delivered not later than October 1 following the end of the preceding fiscal year. Services under this subparagraph are to be performed for the fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2015.

**(6) SAS No. 61 Reporting Requirements**

Contractor shall report to the Board of Directors Audit Committee any items required to be communicated in accordance with Statement of Auditing Standards (SAS) No. 61.

**(7) Prop 1C Funds**

Contractor shall perform mutually agreed-upon procedures relating to Prop 1C funds. The procedures to be performed consists of reviewing program eligibility requirements, selecting 25 CHDAP loan records for the period under audit to assess the amount of funds committed/disbursed were used for the specified purpose, and to assess that the proper loan agreement/lien was recorded on the property. Agreed-upon procedures are to be performed for FY 2011-12, FY 2012-13, FY 2013-14, and FY 2014-15.

b. Audit of Insurance Fund

(1) Contractor will conduct an examination and audit of CaHLIF's financial statements, in accordance with generally accepted accounting principles using the prescribed method as stated in the Contractor's most recently submitted Proposal to Provide Audit and Other Attestation Services, for the calendar years ending December 31, 2011, 2012, 2013, 2014, and 2015. The audits will be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants and the Government Accounting Standards Board and any successor, which contemplate, among other things, the use of sampling techniques and other testing procedures. Prior to Contractor's commencing audits for each calendar year, Contractor and the Agency shall execute an engagement letter for that calendar year in form and substance acceptable to the Agency, in Agency's sole discretion, which engagement letter(s) are hereby incorporated into this Agreement. Should any provision of the engagement letters conflict or be inconsistent with the provisions contained in the body of this Agreement, the latter provisions shall control.

(2) Contractor will express an opinion on the fairness of the financial statements of CaHLIF's accounts. Areas of concentration will be determined during Contractor's audit planning phase which will include a discussion of these areas with CaHLIF's management. Contractor will complete the audit to meet CaHLIF's reporting deadlines and deliver a formal audit opinion letter to CaHLIF's management not later than April 30 following the end of the preceding calendar year.

(3) Contractor will keep CaHLIF fully informed of the progress of its audit and will discuss the contents of its report with CaHLIF well in advance of issuance of the management letter.

(4) At the completion of its audit hereunder, and no later than April 30 following the end of the preceding calendar year, Contractor may, at Contractor's sole discretion, provide a report in the form of a management letter to CaHLIF's management; such management letter shall contain comments regarding any deficiencies noted in the accounting and internal control systems of CaHLIF and recommendations for improvement.

(5) Contractor shall report to the Board of Directors Audit Committee any items required to be communicated in accordance with Statement of Auditing Standards (SAS) No. 61.

2. Status of Contractor

a. Contractor will be at all times an independent contractor and not an agent or employee of Agency. As used herein, the term "independent contractor" means Contractor, and any personnel provided by Contractor, who will render the Services specified herein for the specified compensation and who will be deemed to be under the control of Agency as to the results of their work and not as to the means by which such results are accomplished.

b. In the event that Contractor is determined to be an employee of Agency by any federal, state, or local court, governmental agency, instrumentality, or body, or by a third party, Contractor waives any right to recover any type of employee benefits from Agency for the period during which Contractor was determined to have been erroneously treated as an employee.

c. Any and all personnel retained, hired, engaged, or provided by Contractor will be independent contractors for, or employees of, Contractor and not employees of Agency for any purpose whatsoever. All such personnel will be under Contractor's exclusive supervision, direction, and control, and will be compensated by Contractor in Contractor's name and at its expense. Contractor will carry worker's compensation insurance covering all personnel who may be employed by Contractor from time to time for any purpose connected with Contractor's performance hereunder.

d. Neither Contractor nor its employees or contractors will be eligible to participate in any employee-benefit programs maintained by Agency. Contractor acknowledges that Agency will not provide social security, unemployment compensation, director's and officer's liability

insurance, disability insurance, worker's compensation insurance or similar coverage, nor any other benefits to Contractor or its employees and or contractors.

3. Term

This Contract shall cover services rendered hereunder from March 15, 2012 through December 1, 2015. However, the Agency reserves to itself an option, exercisable in its sole and absolute discretion, to terminate this Agreement for its final year (i.e., fiscal year 2014/15 for the Finance Fund, and calendar year 2015 for the Insurance Fund). Agency may exercise this option by providing written notice to Contractor no later than ninety (90) days prior to the termination date of December 1, 2015.

4. Compensation

a. Contractor shall include in its engagement letter a concise description of the payment schedule for work performed under this Agreement. The payment schedule must be approved in writing by CalHFA. Said approval will be evidenced by the signature of CalHFA's representative on the engagement letter. Compensation payable for work performed as described in subparagraph 1 herein is limited to the dollar amounts reflected below.

## FEE PROPOSAL FOR AUDITING AND OTHER ATTESTATION SERVICES

### California Housing Finance Fund

	Fiscal Year 2011/12	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15	Total
US GAAP Audit					
SCO – Report					
Single Audit					
Prop 1C Agreed-Upon Procedures (yearly)					
FAF Agreed-Upon Procedures (every 3 yrs beginning with 3 FY perods ending June 30, 2012)					
<b>Agreed-upon procedures, letters to bond underwriters and/or other purchasers of the Agency</b>					
One letter (Per issuance)					
Two letter (Per issuance)					
<b>Total</b>					

**California Housing Loan Insurance Fund**

	<b>Calendar Year 2011</b>	<b>Calendar Year 2012</b>	<b>Calendar Year 2013</b>	<b>Calendar Year 2014</b>	<b>Total</b>
<b>US GAAP Audit</b>					
<b>Total</b>					

b. Agency will reimburse Contractor for out-of-pocket costs and expenses incurred by Contractor in performance of the Services, including (1) reasonable and actual amounts for package delivery, document production, long-distance telephone calls, facsimile transmission, and (2) travel, meals, and lodging expenses in accordance with State of California Department of Personnel administration Regulations, 2 CCR Section 599.615, et seq. Any such reimbursement will not exceed \_\_\_\_\_ AND NO/100 DOLLARS (\$00,000.00) over the term of this Agreement.

c. The amounts provided for herein are the entire remuneration of Contractor for the Services, and there will be no additional compensation or reimbursement for any of Contractor's time, materials, or costs in providing the Services. In no event will the total amount received by Contractor's under this Agreement exceed \_\_\_\_\_.

d. Without limiting its right or remedies, Contractor may suspend or terminate its services if payment is not received within sixty (60) days after written notice to the Agency of non-receipt of payment.

**5. Staffing**

a. Contractor shall assign personnel for the performance of work in accordance with its established practice.

b. ~~Due to the specialized nature of the skills required in the performance of this Agreement, Contractor shall not subcontract for any of the services required for the work to be performed hereunder (notwithstanding the mention of "subcontractors" in paragraph 5).~~

6. Nondiscrimination Clause

a. During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass or allow harassment, against any employee or applicant for employment because of race, religion, color, national origin, ancestry, disability (including HIV and AIDS), medical condition, marital status, age, or sex. Contractors and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination and harassment. Contractors and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12990 et seq.) and the applicable regulations promulgated hereunder (Title 2, California Code of Regulations, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12990 (a-f) and Title 2, California Code of Regulations, Section 8103, are incorporated into this Contract by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

b. Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.

7. Agency's Cooperation

Agency shall reasonably cooperate with Contractor in the performance of Contractor's services under this Agreement.

8. Handling of Conflicts of Interest

a. Agency has been informed by Contractor that Contractor is an active participant in the tax-exempt and taxable bond markets and from time to time during the term of this Agreement will represent on unrelated matters various persons and entities (including bond underwriters, other bond issuers, and other persons and entities represents other entities) with which the Agency may currently be dealing, and that such concurrent representation may create a conflict of interest under the rules of professional responsibility applicable to Contractor. Contractor shall identify to Agency all such persons and entities to the extent known to Contractor. Agency consents to such concurrent representation and waives any conflict of interest that may arise therefrom, subject to Agency's right to withdraw such consent by terminating Contractor's representation of the Agency on any matter creating a conflict of interest.

b. Contractor agrees not to represent any such persons or entities on any related matters without the express written consent of the Agency.

9. Entirety, Amendments

a. This Agreement supersedes any and all other agreements, oral or in writing, between the parties hereto with respect to the subject matter hereof and contains all of the covenants and agreements between the parties with respect to said matter. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied or referred to herein, and that no other agreement, statement, or promise not contained or referred to in this Agreement shall be valid or binding.

b. This Agreement is entire as to all of the performance to be rendered under it. Breach of any of the performances to be rendered by Contractor shall constitute a breach of the entire Agreement and shall give Agency the right to terminate this Agreement.

c. No amendment or modification of the provisions of this Agreement shall be valid unless made in writing and signed by the parties hereto.

10. Notice

Any notice, tender, or delivery to be given hereunder by either party to the other may be effected by personal delivery, in writing, by facsimile transmission, by e-mail or by mail, postage prepaid, and shall be deemed communicated as of the date of actual receipt. Mailed notices shall be addressed as set forth below, but each party may change its address by written notice in accordance with this paragraph.

To Contractor:	Attention: Tel: ( ) Fax: ( ) Email:	
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<p>To Agency:</p>	<p><u>If by mail:</u></p> <p>California Housing Finance Agency  P.O. Box 4034, MS 930  Sacramento, CA 95812-4034  Attention: Lori Hamahashi</p> <p>With copy to:</p> <p>California Housing Finance Agency  Office of General Counsel  P.O. Box 4034, MS 1440  Sacramento, CA 95812-4034  Attention: Victor James</p>	<p><u>If by other means:</u></p> <p>California Housing Finance Agency  500 Capitol Mall, Suite 900, MS 930  Sacramento, CA 95814</p> <p>Attention: Lori Hamahashi  Tel: (916) 326-8423</p> <p>Fax: (916) 445-3961  Email:</p> <p>With copy to:</p> <p>California Housing Finance Agency  Office of General Counsel  500 Capitol Mall, Suite 1400, MS 1440  Sacramento, CA 95814  Tel: (916) 326-8470  Fax: (916) 322-3151  Email: <a href="mailto:legal@calhfa.ca.gov">legal@calhfa.ca.gov</a></p>
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## 11. Nonassignability

No assignment of the rights, nor delegation of the duties of Contractor, whether in whole or in part, shall be valid unless specifically agreed to in writing by Agency.

12. Remedies, Attorney's Fees, Costs

a. Should either party default in the performance of this Agreement or materially breach any of its provisions, the nondefaulting party shall have, in addition to any other remedy provided for at law or in equity, the option of terminating this Agreement immediately by giving written notice to the defaulting party.

b. Additionally, in the event that Contractor defaults in the performance of this Agreement or materially breaches any of its provisions, Agency shall be excused from any obligation to pay unpaid compensation provided for in this Agreement.

c. Should Agency at any time become dissatisfied with Contractor's performance under this Agreement, it may terminate this Agreement immediately upon giving notice in writing to Contractor. Such termination for dissatisfaction may occur without cause. Upon such termination for dissatisfaction, Agency shall compensate Contractor proportionately based on the percentage that the work performed by Contractor as of the date of termination bears to the total work to be performed by Contractor under this Agreement.

d. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees and costs, in addition to any other relief to which that party may be entitled. This provision for the recovery of attorney's fees and costs shall be construed as applicable to the entire Agreement.

13. Time

Except as specifically provided herein, time is of the essence in this Agreement.

14. Indemnification

a. Contractor shall indemnify, defend and hold harmless Agency, its officers, agents and employees (i) from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work, services, materials or supplies in connection with the performance of this Agreement, and (ii) from any and all claims and losses accruing or resulting to any such person, firm or corporation who may be injured or damaged by Contractor in the negligent or intentionally tortious conduct of its performance of this Agreement, including claims made or resulting from any release of confidential information or data provided to Contractor by Agency.

b. It is understood, that under the terms of the above indemnification paragraph, Contractor is not responsible to indemnify, defend, or hold harmless the direct or indirect acts of the Agency, its officers, agents, or employees including, without limitation, acts of neglect, bad faith, or misconduct (“**Agency Acts**”). Agency Acts include, without limitation, errors or omissions in the financial statements subject to examination and audit by the Contractor hereunder.

15. Partial Invalidity

If any provision of this Agreement shall be declared invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

16. Contractor's Qualifications

Contractor represents and warrants that any previously made representations to Agency contained in Contractor's proposal submitted to Agency on \_\_\_\_\_ (date) 2011 regarding its qualifications to perform the services provided for herein are true and accurate.

17. Drug-Free Workplace Requirements

Contractor will comply with the requirements of California’s Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations as required by Government Code § 8355(a)(1).

b. Establish a Drug-Free Awareness Program as required by Government Code § 8355(a)(2) to inform employees about:

- (i) the dangers of drug abuse in the workplace;
- (ii) the person's or organization's policy of maintaining a drug-free workplace;
- (iii) any available counseling, rehabilitation and employee assistance programs; and,

- (iv) penalties that may be imposed upon employees for drug abuse violations.
- c. Every employee who works on the proposed Contract will:
  - (i) receive a copy of the company's drug-free workplace policy statement; and,
  - (ii) agree to abide by the terms of the company's statement as a condition of employment on the Contract.

**Failure to comply with these requirements may result in suspension of payments under the Contract or termination of the Contract or both, and Contractor may be ineligible for award of any future State Contracts** if it is determined that any of the following has occurred: the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (Government Code section 8350, et seq.).

18. Child Support Compliance Act

Contractor acknowledges in accordance with Public Contract Code 7110, that:

- a. The Contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the California Family Code; and
- b. The Contractor, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

19. Copyright Violations

In accordance with Executive Order D-10-99 issued by the Governor of the State of California, Contractor certifies that it has appropriate systems and controls in place to ensure that

CalHFA funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.

20. Confidentiality of Data

a. ~~All financial, statistical, personal, including any and~~ All non-public personal information of a consumer or customer of CalHFA, ~~technical and other data and information relating to CalHFA's operation which are made available to Contractor in order to carry out this Agreement, or which become available to Contractor in carrying out this Agreement,~~ shall be protected by Contractor from unauthorized use and disclosure. Contractor will take all reasonable measures, including without limitation such measures as it takes to safeguard its own confidential information, to ensure the security and confidentiality of all information provided to it by CalHFA, to protect against all threats or hazards to the security or integrity of the information, and to protect against unauthorized access to or use of the information.

b. Should Contractor experience a breach of the security of any system it maintains to protect data provided by CalHFA or affecting any of CalHFA's operations or customers, or should any unauthorized release of confidential information occur, Contractor will comply with Civil Code Section 1798.82 and will take all steps necessary to provide notice to CalHFA and all interested parties, including any California resident whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Contractor will also take all steps to correct the cause of said breach and take any and all actions CalHFA deems necessary or appropriate.

21. Performance Review

Contractor agrees that Agency or its delegate shall have the right to review, obtain, and copy all timekeeping and expense records ("Records") pertaining to the performance of this Agreement. Contractor agrees to provide Agency or its delegate with any relevant information requested and shall permit Agency or its delegate access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees and inspecting and copying such ~~books, records, accounts, and other material~~ Records that may be relevant for the purpose of determining compliance with this requirement. Contractor further agrees to maintain such Records for a period of three (3) years after the final payment made under this Agreement.

22. Work Product

All notes, records, reports, summaries and other data provided to Contractor or generated by Contractor in connection with the services performed under this Agreement is the property of

the Agency. Upon termination of this Agreement, by cancellation, expiration of its term or otherwise, Contractor will immediately turn over all work product in its possession or under its control to Agency. Contractor agrees it will not use any notes, records, reports, summaries or other data received or generated by Contractor in connection with the services performed under this Agreement in any way that could or would result in such data being disclosed, inadvertently or otherwise, to any party other than the Agency or its delegate without Agency's prior written consent. This section shall not be read to include the Contractor's audit work papers, which remain the exclusive property of the Contractor.

23. Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together shall constitute one instrument.

24. Safeguarding of Information

Contractor will take all reasonable measures, including without limitation such measures as it takes to safeguard its own confidential information, to ensure the security and confidentiality of all information provided to it by the Agency, to protect against anticipated threats or hazards to the security or integrity of the information, and to protect against unauthorized access to or use of the information.

25. California Public Records Act

Contractor acknowledges that, except to the extent that information may be exempt from public disclosure under California Health & Safety Code Section 51615, the California Public Records Act (California Government Code Section 6250, et seq.), or otherwise exempt from disclosure, information possessed by Agency could be subject to disclosure under California law. Agency, its directors, officers, agents, employees and advisors will not be in breach of this Agreement as a result of any public disclosure required by California law.

26. Standard Agreement

The parties acknowledge that the State of California “Standard Agreement”, form number STD 2 (REV 5-91), is attached hereto and made a part hereof by reference. It is the intent of the parties that the provisions of the Standard Agreement are consistent with the terms of the Agreement itself and that nothing in either Agreement shall be construed as contradictory between the Agreement and the Standard Agreement; however, in the event there is a contradiction, the principle that the specific controls the general shall apply and the Agreement provisions shall control.

27. Force Majeure

Neither party shall be liable for any delays or non-performance resulting from fire or other casualty, act of God, war or other violence, however, the other party shall be entitled to terminate this Agreement if, in its discretion, such delay will materially impair its ability to comply with its statutory or regulatory mandates, or with its contractual obligations to third parties. Delay or non-performance hereunder is excused only for the duration of the force majeure event.

28. Obligations of Insurance Fund

The obligations of Agency under this Agreement with respect to services related to the Insurance Fund are payable solely from the California Housing Loan Insurance Fund, a public enterprise fund, and are not general obligations of the Agency.

29. Governing Law

This Agreement shall be governed by the laws of the State of California. The Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that venue for any action brought hereunder shall be exclusively in the County of Sacramento.

30. Authority

Each person signing this Agreement on behalf of a party represents and warrants that he or she has the full right, power, legal capacity and authority to sign this Agreement on behalf of such party and that this Agreement shall be binding on that party without the approval of any other person or entity.

**CONTRACTOR'S SIGNATURE BELOW IS CERTIFICATION THAT CONTRACTOR AGREES TO AND WILL COMPLY WITH THE PROVISIONS OF SECTION(S) 16 and 17 ABOVE.**

WHEREFORE, the parties hereto have executed this Agreement as of the date set forth above, and by their signatures acknowledge their understanding of and agreement to all of its provisions.

Contractor: \_\_\_\_\_

By: \_\_\_\_\_

Name

Title

Agency: **CALIFORNIA HOUSING FINANCE AGENCY,  
public instrumentality and political subdivision  
of the State of California**

By: \_\_\_\_\_

Name

Title